Status of Corporate Social Responsibility in India

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INTRODUCTION

CSR gives a role for business, but places some realistic edges that allow businesses to continue engaging in things that businesses do like growing their markets. The new demand on business is that it pursue those activities with a broader awareness of the system in which it operates, in other words with thoughtful consideration and meaningful action toward environmental and social issues. The goal of CSR is to embrace responsibility for the company’s actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, CSR-focused businesses would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. CSR is the deliberate inclusion of public interest into corporate decision-making that is the core business of the company or firm, and the honouring of a triple bottom line: people, planet, profit. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms.

IMPORTANCE OF CSR

Corporate social responsibility (CSR) is the responsibility recognized by the companies for acting in socially responsible manner. CSR expects a company to go further than required by law so as to:

- Treat employees fairly and with respect
- Operate with integrity and in an ethical manner in all its business dealings with customer, suppliers, Lenders, and others
- Respect human rights
- Sustain the environment for future generations
- Be a responsible neighbor in the community and a good ‘corporate citizen’.

Corporate Social Responsibility (CSR) are of importance to governments and service providers as they promise to meet challenges of social problems within changing welfare environments.

Over the last twenty years an increasingly large number of business houses have responded positively to the banner of CSR. This has perhaps been partly due to their aspiration to make their operations more ethical. While for the government, the role the businesses can play in the development of society is quite crucial, the activist community might like to take credit for the growing importance of CSR as a clear victory for their efforts in pressurizing the activities of companies. To put the same in other words, companies introduced CSR reports and programs as a response against damage inflicted on their sale and reputation by attacks from activist groups who aided by 24 hour news media in which corporate wrongdoing has been especially highlighted. While on the one hand this makes compelling news, it puts an ethical pressure on the companies to give back at least a part to society in return what they have gained from it. It is therefore, no longer important for companies to just make profit, the way this profit is generated is deeply investigated by the activists. A company must not be seen violating ethics or law in any of the areas like market behavior, trade policies, employment relations, sourcing of raw materials, human rights, environmental laws or the activists would put
pressure on them through media or the other channels. The companies may either include CSR report in their annual report and accounts or may publish their separate corporate responsibility report which may be called a ‘social and environmental report’ or a ‘sustainability report’. These reports indicate a company’s commitment toward ethical behavior and highlight their progress towards achieving their strategic CSR objectives.

Increasingly more and more companies have begun to incorporate ethics and CSR in their strategic planning and objectives. Many large companies have adopted formal environmental policies with the objectives of creating a sustainable business and being environment friendly. For instance, a company that uses large quantities of timber as raw material might adopt a policy of re-forestation to replace the trees they have cut down.

**ADVANTAGES OF CSR**
1. Win new business.
2. Increase customer retention.
3. Develop and enhance relationships with customers, suppliers and networks.
4. Attract, retain and maintain a happy workforce and be an employer of choice.
5. Save money on energy and operating costs and managing risk.
6. Differentiate yourself from your competitors.
7. General innovation and learning and enhance your influence.
8. Improve your business reputation and standing.

**ROLE OF CSR IN SOCIAL DEVELOPMENT**

Indian companies are now expected to discharge their stakeholder responsibilities and societal obligations, along with their shareholder-wealth maximization goal. Nearly all leading corporate in India are involved in corporate social responsibility (CSR) programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, ITC Welcome group, Indian Oil Corporation among others.

The 2010 list of Forbes Asia’s ‘48 Heroes of Philanthropy’ contains four Indians. The 2009 list also featured four Indians. India has been named among the top ten Asian countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms. India was ranked fourth in the list, according to social enterprise CSR Asia’s Asian Sustainability Ranking (ASR), released in October 2009.

According to a study undertaken by an industry body in June 2009, which studied the CSR activities of 300 corporate houses, corporate India has spread its CSR activities across 20 states and Union territories, with Maharashtra gaining the most from them. About 36 per cent of the CSR activities are concentrated in the state, followed by about 12 per cent in Gujarat, 10 per cent in Delhi and 9 per cent in Tamil Nadu.

The companies have on an aggregate, identified 26 different themes for their CSR initiatives. Of these 26 schemes, community welfare tops the list, followed by education, the environment, health, as well as rural development. Further, according to a study by financial paper, The Economic Times, donations by listed companies grew 8 per cent during the fiscal ended March 2009. Although corporate India is involved in CSR activities, the central government is working on a framework for quantifying the CSR initiatives of companies to promote them further. According to Minister for Corporate Affairs, Mr Salman Khurshid, one of the ways to attract companies towards CSR work is to develop a system of CSR credits, similar to the system of carbon credits which are given to companies for green
initiatives. Moreover, in 2009, the government made it mandatory for all public sector oil companies to spend 2 per cent of their net profits on corporate social responsibility.

Besides the private sector, the government is also ensuring that the public sector companies participate actively in CSR initiatives. The Department of Public Enterprises (DPE) has prepared guidelines for central public sector enterprises to take up important corporate social responsibility projects to be funded by 2-5 per cent of the company’s net profits.

As per the guidelines, companies with net profit of less than US$ 22.5 million will earmark 3-5 per cent of profit for CSR, companies with net profit of between US$ 22.5 million - US$ 112.5 million, will utilise 2-3 per cent for CSR activities and companies with net profit of over US$ 112.5 million will spend 0.5-2 per cent of net profits for CSR.

India Inc has joined hands to fine-tune all its activities falling under CSR. For this, it has set up a global platform to showcase all the work done by Indian firms. Confederation of Indian Industry (CII) and the TVS Group collaborated to form the CII-TVS Centre of Excellence for Responsive Corporate Citizenship in 2007. It provides consultancy services and technical assistance on social development and CSR.

According to a National Geographic survey which studied 17,000 consumers in 17 countries, Indians are the most eco-friendly consumers in the world. India topped the Consumer Greendex, where consumers were asked about energy use and conservation, transportation choices, food sources, the relative use of green products versus traditional products, attitudes towards the environment and sustainability and knowledge of environmental issues.

- Reliance Industries and two Tata Group firms—Tata Motors and Tata Steel—are the country’s most admired companies for their corporate social responsibility initiatives, according to a Nielsen survey released in May 2009.

- As part of its Corporate Service Corps (CSC) programme, IBM has joined hands with the Tribal Development Department of Gujarat for a development project aimed at upliftment of tribals in the Sasan area of Gir forest.

- The financial services sector is going green in a steady manner. With an eye on preserving energy, companies have started easing the carbon footprint in their offices. The year 2009 witnessed initiatives including application of renewable energy technologies, moving to paperless operations and recognition of environmental standards. Efforts by companies such as HSBC India, Max New York Life and Standard Chartered Bank have ensured that the green movement has kept its momentum by asking their customers to shift to e-statements and e-receipts.

- State-owned Navratna company, Coal India Ltd (CIL) will invest US$ 67.5 million in 2010-11 on social and environmental causes.

- Public sector aluminium company NALCO has contributed US$ 3.23 million for development work in Orissa’s Koraput district as part of its Corporate Social Responsibility (CSR).
POSITIVE CHANGES IN CSR

The implementation of CSR initiatives usually differs for each company, or even sector, depending on a number of factors, such as size and culture. Manufacturing-based companies are confronted by a wide range of environmental challenges, while retail or service-sector companies face these to a lesser extent. Although some companies address environmental issues one facility or department at a time, companies are increasingly integrating the environment into all parts of their operations. Whatever the nature of the commitment, most companies follow a similar series of steps when addressing their impact on the environment:

1. Corporate Environmental Policy

Companies committed to reducing their environmental impact usually create a set of environmental principles and standards, often including formal goals. At minimum, most such statements express a company’s intentions to respect the environment in the design, production and distribution of its products and services; to commit the company to be in full compliance with all laws and go beyond compliance whenever possible; and establish an open-book policy whereby employees, community members and others can be informed of any potentially adverse effects the company might have on the environment.

2. Environmental Audit

Before a company attempts to reduce its impact on the environment, it is essential that it first gains a full understanding of it. For most companies, this usually involves some kind of environmental audit. The goal of audits is to understand the type and amount of resources used by a company, product line or facility, and the types of waste and emissions generated. Some companies also try to quantify this data in monetary terms to understand the bottom-line impact. This also helps to set priorities as to how a company can get the greatest return on its efforts.

3. Employee Involvement

Leadership companies recognize that to be effective, an environmental policy needs to be embraced by employees throughout the organization, not just those whose work is related to the environment. To do that, companies engage in a variety of activities, especially education, to help employees understand the environmental impact of their jobs and to support their efforts to make positive changes. Some companies go further, helping employees become more environmentally responsible throughout their daily lives, helping them build a true environmental ethic. Besides education, many companies create incentives, rewards and recognition programs for employees who demonstrate their environmental commitment.

4. Green Procurement

To help ensure that their products and processes are environmentally responsible, many companies seek to buy greener products and materials from their suppliers. Some companies participate in buyers’ groups in which they leverage their collective buying clout to push suppliers to consider alternative products or processes.

5. Green Products

Products themselves may be made more environmentally friendly, with regard to, for example, the control of emissions, noise, reduced health and safety risks, and reduced energy requirements.
SUGGESTIONS

- There is a need to develop a strategic approach to CSR based on understanding of the impacts and the tipping points in resource shortage or price rises
- There is need to enhance the initiatives through CSR by Indian companies especially in the Education and Environment Protection
- CSR initiatives will help in enhancing brand image
- Through CSR it is possible to presents an opportunity to demonstrate corporate values, distinctiveness, and employee brand as well as deliver governance.

CONCLUSION

The concept of corporate social responsibility has gained prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden of society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept-Corporate Social Responsibility. Many of the leading corporations across the world had realized the importance of being associated with socially relevant causes as a means of promoting their brands. It stems from the desire to do good and get self satisfaction in return as well as societal obligation of business.

CSR can play a valuable role in ensuring that the invisible hand acts, as intended, to produce the social good. In addition, it seems clear that a CSR program can be a profitable element of corporate strategy, contributing to risk management and to the maintenance of relationships that are important to long-term profitability.

REFERENCES